

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2017

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis (Unaudited)	4-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	8-9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Statement of Net Position – Fiduciary Fund	18
Notes to the Basic Financial Statements	19-41
Required Supplementary Information:	
Schedule of District's Proportionate Share of the Net Pension Liability	42
Schedule of Pension Contributions	43
Notes to Required Supplementary Information	44
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	45
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	46
Notes to Required Supplementary Information – Budget and Actual	47
Combining Balance Sheet – Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	49

CONTENTS

	<u>Page</u>
Statements of Receipts, Disbursements and Fund Balances – Activity Funds	50-52
Schedule of Expenditures of Federal Awards	53-54
Notes to the Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	56
Schedule of Prior Year Audit Findings	57
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	58-59
Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	60-61
Independent Auditor's Introductory Letter to Management Letter Points	62
Management Letter Points	63

Marr, Miller & Myers, PSC

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INDEPENDENT AUDITOR'S REPORT

September 12, 2017

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee For School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Marr, Miller & Myers, PSC

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedules of District's Proportionate Share of the Net Pension Liability and Pension Contributions and budgetary comparison information on pages 4-7, 42-43 and 45-46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the Statements of Receipts, Disbursements and Fund Balances-Activity Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Requisitions Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Marr, Miller & Myers, PSC

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marr, Miller & Myers, PSC

Certified Public Accountants

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017

This section of the financial statements for the Corbin Independent School District (District) presents management's discussion and analysis of the financial performance of the District during the fiscal year that ended on June 30, 2017. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$19,763,717 in 2017 and \$29,329,024 in 2016.
- The General Fund had \$21,262,985 in revenues (excluding interfund transfers), which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$20,754,868 in General Fund expenditures.
- Governmental capital assets had a net increase of \$9,990,083. Business-type capital assets had a net decrease of \$48,138 during the current fiscal year.
- The District's total debt decreased \$2,705,136 during the current fiscal year due to scheduled principal payments.
- There are two sources of pension liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It has analysis performed by Cavanaugh Macdonald Consulting, LLC to determine each Kentucky school district's share of pension liabilities for its professional staff. This debt is the responsibility of the State of Kentucky. Our allocated amount was \$110,207,978, as of June 30, 2017. Our non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system the District's share of the pension liabilities was \$5,904,085, as of June 30, 2017. The District does not believe these disclosures will have a major impact on their day to day operations or the financial health of District. The District's bond rating is based on the State's rating so we have little control over our cost of borrowing.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, plant operations and maintenance, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017

The government-wide financial statements can be found on pages 8 through 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are for day care and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2017

Fiscal year 2016 government-wide net position compared to 2017 is as follows:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 20,714,186	\$ 30,049,784
Capital assets, net	60,978,439	51,036,494
Deferred outflows of resources	<u>1,070,362</u>	<u>1,023,985</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 82,762,987</u>	<u>\$ 82,110,263</u>
Current liabilities	\$ 5,748,538	\$ 4,175,551
Noncurrent liabilities	60,306,316	62,249,217
Deferred inflows of resources	<u>1,281,808</u>	<u>821,645</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 67,336,662</u>	<u>\$ 67,246,413</u>
Net position		
Net investment in capital assets	\$ 17,060,985	\$ 16,127,658
Restricted	405,844	146,736
Unrestricted (deficit)	<u>(2,040,504)</u>	<u>(1,410,544)</u>
Total Net Position	<u>\$ 15,426,325</u>	<u>\$ 14,863,850</u>

The most significant change in the financial position of the District since the last audit was the decrease in current assets in the amount of \$9,335,598. This was mainly due to \$11,802,545 in construction fund cash used to continue construction

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017

on the new middle school. The District also had an overall increase in liabilities in the amount of \$90,249. This was due to a decrease in debt of \$2,705,136 due to bond payments along with the increase in the net pension liability of \$1,036,097. The net investment in capital assets had a decrease in the amount of \$933,327.

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2017</u>	<u>Percent</u>	<u>2016</u>	<u>Percent</u>
REVENUES AND OTHER FINANCING SOURCES				
Local revenue sources	\$ 4,888,871	16.10%	\$ 4,969,383	7.35%
State revenue sources	22,579,141	74.34	20,761,786	30.69
Federal revenue sources	2,905,660	9.56	2,808,814	4.15
Bond proceeds	-	-	39,105,000	57.81
Total revenues and other financing sources	<u>30,373,672</u>	<u>100.00</u>	<u>67,644,983</u>	<u>100.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Instruction	17,673,110	58.19	16,953,754	25.06
Student support services	334,442	1.10	364,820	.54
Instructional staff	451,461	1.49	519,137	.77
District administration	875,149	2.88	1,043,841	1.54
School administration	1,563,704	5.15	1,594,206	2.36
Business	832,921	2.74	748,790	1.11
Plant operations and maintenance	2,103,515	6.93	2,040,576	3.02
Student transportation	962,111	3.17	1,176,809	1.74
Other instructional	8,497	.03	8,804	.01
Debt service and miscellaneous	750	-	-	-
Land improvements	-	-	769,977	1.14
Building acquisitions and construction	11,773,764	38.76	3,195,522	4.72
Site improvement	-	-	474,545	.70
Community services activities	226,116	.74	224,618	.33
Bond (premium) discount	-	-	312,614	.46
Bond fees/issuance costs	-	-	240,725	.36
Payment of bonds and note	2,705,136	8.91	12,287,549	18.16
Payment of interest	<u>1,783,153</u>	<u>5.87</u>	<u>1,482,938</u>	<u>2.19</u>
Total expenditures and other financing uses	<u>41,293,829</u>	<u>135.96</u>	<u>43,439,225</u>	<u>64.21</u>
Net change in fund balance	<u>\$ (10,920,157)</u>	<u>(35.96)%</u>	<u>\$ 24,205,758</u>	<u>35.79%</u>

The majority of the District's revenues were derived from state revenues, making up 74.34% of total revenues in 2017 as compared to 30.69% in 2016. Federal revenue sources comprised 9.56% of total revenues in 2017 as compared to 4.15% in 2016. Local revenue sources comprised 16.10% of total revenues in 2017 as compared to 7.35% in 2016. Other financing sources, consisting of bond proceeds, comprised 57.81% of total revenues in 2016.

The majority of the District's expenditures were for instruction, making up 58.19% of total expenditures in 2017 as compared to 25.06% in 2016. Payment of bonds and note comprised 8.91% of the District's total expenditures in 2017 as compared to 18.16% in 2016. Building acquisitions and construction comprised 38.76% of the District's total expenditures in 2017 as compared to 4.72% in 2016. Plant operations and maintenance comprised 6.93% of the District's total expenditures in 2017 as compared to 3.02% in 2016. Capital assets of \$12,087,990 were charged to expenditures in 2017 as compared to \$5,336,070 in 2016.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017

Comments on Budget Comparisons

In Kentucky, the public schools fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the 2016-17 budget with \$2,946,400 in contingency (15%).

- The District's total general fund revenues for the fiscal year ended June 30, 2017 were \$21,262,985.
- General fund budgeted revenues compared to actual varied from line item to line item, with the ending actual balance being \$912,201 more than budget or 4.48%. This is mainly attributed to on-behalf payments being \$161,738 more than budget and local revenues of \$432,551 that were not budgeted.
- The District's total general fund expenditures for the fiscal year ended June 30, 2017 were \$20,754,868.
- General fund budgeted expenditures compared to actual varied in district administration with them being \$124,462 over budget. Instruction expenditures were \$187,046 over budget. Business support services closed with a budget surplus of \$25,676. Plant operations and maintenance closed with a budget surplus of \$182,605. Student transportation also closed with a budget surplus of \$152,994. Overall general fund expenditures compared to budget were \$3,081,982 or 12.93% less than budget.

Capital Assets

At the end of June 30, 2017, the District had \$60,978,439 invested in capital assets. This represents a net increase of \$9,941,945.

A comparison of the capital assets at June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Construction in progress	\$ 15,453,091	\$ 4,861,720
Land	4,472,755	3,420,318
Buildings and improvements	38,512,569	39,393,248
Machinery and equipment	<u>2,540,024</u>	<u>3,361,208</u>
Total	<u>\$ 60,978,439</u>	<u>\$ 51,036,494</u>

Debt Administration

At the end of June 30, 2017, the District had \$56,796,110 in outstanding debt compared to \$59,501,246 last year. That is a decrease of 4.55%

Future Budget Implications

The District adopted a budget for 2017-18 with \$2,847,570 in contingency (14.22%). Significant Board action that impacts the finances includes the funding of extra-curricular activities, KETS matching funds, and construction of the new Corbin Middle School.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Rhonda Moore, Chief Finance Officer, at (606) 523-3935 or by mail at 108 Roy Kidd Avenue, Corbin, KY 40701.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
June 30, 2017

<u>ASSETS</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 19,094,107	\$ 669,610	\$ 19,763,717
Accounts receivable:			
Taxes – current	94,784	-	94,784
Accounts receivable	73,279	25,900	99,179
Intergovernmental – state	61,719	-	61,719
Intergovernmental – federal	352,433	68,606	421,039
Materials and supplies inventory	-	27,676	27,676
Interfund receivable	246,072	-	246,072
Total current assets	<u>19,922,394</u>	<u>791,792</u>	<u>20,714,186</u>
NONCURRENT ASSETS			
Capital assets, net	<u>60,924,200</u>	<u>54,239</u>	<u>60,978,439</u>
Total noncurrent assets	<u>60,924,200</u>	<u>54,239</u>	<u>60,978,439</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>982,155</u>	<u>88,207</u>	<u>1,070,362</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>81,828,749</u>	<u>934,238</u>	<u>82,762,987</u>
 <u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	1,305,159	29,914	1,335,073
Construction retainage payable	1,037,120	-	1,037,120
Interfund payable	246,072	-	246,072
Deferred revenue	171,534	-	171,534
Current portion of bond obligations	2,639,778	-	2,639,778
Current portion of note payable	200,000	-	200,000
Current portion of accumulated sick leave payable	95,000	-	95,000
Current portion of insurance claims payable	23,961	-	23,961
Total current liabilities	<u>5,718,624</u>	<u>29,914</u>	<u>5,748,538</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	53,956,332	-	53,956,332
Noncurrent portion of accumulated sick leave payable	374,016	-	374,016
Noncurrent portion of insurance claims payable	71,883	-	71,883
Net pension liability – CERS	4,994,868	909,217	5,904,085
Total noncurrent liabilities	<u>59,397,099</u>	<u>909,217</u>	<u>60,306,316</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,110,763</u>	<u>171,045</u>	<u>1,281,808</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>66,226,486</u>	<u>1,110,176</u>	<u>67,336,662</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION (CONTINUED)
June 30, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	17,006,746	54,239	17,060,985
Restricted (deficit)	636,021	(230,177)	405,844
Unrestricted (deficit)	<u>(2,040,504)</u>	<u>-</u>	<u>(2,040,504)</u>
TOTAL NET POSITION	<u>\$ 15,602,263</u>	<u>\$ (175,938)</u>	<u>\$ 15,426,325</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 19,158,780	\$ 67,341	\$ 11,141,610	\$ -
Support services:				
Student	357,814	-	61,285	-
Instructional staff	475,596	-	54,492	-
District administration	767,586	-	180,937	-
School administration	1,696,328	-	299,942	-
Business	960,221	-	152,199	-
Plant operations and maintenance	2,938,882	-	424,466	-
Student transportation	1,229,481	-	189,734	-
Other instructional	8,497	-	-	-
Debt service and miscellaneous	750	-	-	-
Community services activities	297,301	504,190	-	-
Interest on long-term debt	1,783,153	-	-	-
Bond amortization	8,554	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 29,682,943</u>	<u>\$ 571,531</u>	<u>\$ 12,504,665</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 2,156,996	\$ 282,514	\$ 1,670,578	\$ -
Day care	448,227	416,823	107,518	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 2,605,223</u>	<u>\$ 699,337</u>	<u>\$ 1,778,096</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 32,288,166</u>	<u>\$ 1,270,868</u>	<u>\$ 14,282,761</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION**

Governmental Activities	Business-Type Activities	Total
\$ (7,949,829)		\$ (7,949,829)
(296,529)		(296,529)
(421,104)		(421,104)
(586,649)		(586,649)
(1,396,386)		(1,396,386)
(808,022)		(808,022)
(2,514,416)		(2,514,416)
(1,039,747)		(1,039,747)
(8,497)		(8,497)
(750)		(750)
206,889		206,889
(1,783,153)		(1,783,153)
(8,554)		(8,554)
<u>(16,606,747)</u>		<u>(16,606,747)</u>
	\$ (203,904)	(203,904)
	<u>76,114</u>	<u>76,114</u>
	<u>(127,790)</u>	<u>(127,790)</u>
		<u>(16,734,537)</u>

GENERAL REVENUES

Taxes			
Property	3,113,970	-	3,113,970
Motor vehicle	396,322	-	396,322
Utilities	585,067	-	585,067
State and formula grants	12,980,136	-	12,980,136
Earnings on investments	81,454	2,757	84,211
Loss on disposal of fixed assets	(3,221)	-	(3,221)
Other local revenues	140,527	-	140,527
Total general revenues	<u>17,294,255</u>	<u>2,757</u>	<u>17,297,012</u>
Change in net position	<u>687,508</u>	<u>(125,033)</u>	<u>562,475</u>
Net position, July 1, 2016	14,145,809	718,041	14,863,850
Restatement for reallocation of unfunded pension liabilities	<u>768,946</u>	<u>(768,946)</u>	<u>-</u>
Net position (deficit), July 1, 2016, as restated	<u>14,914,755</u>	<u>(50,905)</u>	<u>14,863,850</u>
Net position (deficit), June 30, 2017	<u>\$ 15,602,263</u>	<u>\$ (175,938)</u>	<u>\$ 15,426,325</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 3,991,850	\$ -	\$ 15,102,257	\$ 19,094,107
Accounts receivable:				
Taxes – current	94,784	-	-	94,784
Accounts receivable	60,658	12,621	-	73,279
Intergovernmental – state	-	61,719	-	61,719
Intergovernmental – federal	-	352,433	-	352,433
Interfund receivable	246,072	-	-	246,072
TOTAL ASSETS AND RESOURCES	<u>\$ 4,393,364</u>	<u>\$ 426,773</u>	<u>\$ 15,102,257</u>	<u>\$ 19,922,394</u>
LIABILITIES				
Accounts payable	\$ 110,230	\$ 9,167	\$ 1,185,762	\$ 1,305,159
Construction retainage payable	-	-	1,037,120	1,037,120
Interfund payable	-	246,072	-	246,072
Deferred revenue	-	171,534	-	171,534
TOTAL LIABILITIES	<u>110,230</u>	<u>426,773</u>	<u>2,222,882</u>	<u>2,759,885</u>
FUND BALANCES				
Restricted				
Sick leave payable	95,000	-	-	95,000
Future construction projects (BG-1)	-	-	12,878,656	12,878,656
Other	-	-	719	719
Assigned				
Site based carry forward	39,347	-	-	39,347
Other	95,955	-	-	95,955
Committed				
Other	500,000	-	-	500,000
Unassigned	3,552,832	-	-	3,552,832
TOTAL FUND BALANCES	<u>4,283,134</u>	<u>-</u>	<u>12,879,375</u>	<u>17,162,509</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,393,364</u>	<u>\$ 426,773</u>	<u>\$ 15,102,257</u>	<u>\$ 19,922,394</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2017

Total fund balances – governmental funds	\$ 17,162,509
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$83,358,997, and the accumulated depreciation is \$22,434,797.	60,924,200
Bond discounts, net of amortization are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	502,517
Bond premiums, net of amortization are not current financial resources (uses) and therefore are reported as deferred inflows of resources in governmental funds.	(180,425)
CERS contributions subsequent to the measurement date \$(479,638) net of the net difference between projected and actual earnings on CERS pension plan investments, change in assumptions, etc. \$(930,338) are reported as deferred outflows (inflows) of resources in governmental funds.	(450,700)
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(56,596,110)
Note payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(200,000)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(469,016)
Insurance claims liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(95,844)
Net CERS pension liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(4,994,868)</u>
Total Net Position - Governmental Activities	<u>\$ 15,602,263</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General <u>Fund</u>	Special <u>Revenue</u>
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,286,336	\$ -
Motor vehicle	396,322	-
Utilities	585,067	-
Earnings on investments	46,044	137
Other local revenues	594,641	116,995
Intergovernmental – state	17,268,674	1,529,747
Intergovernmental – indirect federal	85,901	-
Intergovernmental – direct federal	-	2,617,158
TOTAL REVENUES	<u>21,262,985</u>	<u>4,264,037</u>
EXPENDITURES		
Instruction	13,926,383	3,746,727
Support services:		
Student	304,442	30,000
Instructional staff	270,692	180,769
District administration	875,149	-
School administration	1,489,994	73,710
Business	832,921	-
Plant operations and maintenance	2,103,515	-
Student transportation	942,525	19,586
Other instructional	8,497	-
Debt service and miscellaneous	750	-
Building acquisitions and construction	-	-
Community services activities	-	226,116
Payment of bonds and note	-	-
Payment of interest	-	-
TOTAL EXPENDITURES	<u>20,754,868</u>	<u>4,276,908</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>508,117</u>	<u>(12,871)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	534,972	56,371
Operating transfers out	(56,371)	(43,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>478,601</u>	<u>12,871</u>
NET CHANGES IN FUND BALANCES	986,718	-
FUND BALANCES, JULY 1, 2016	<u>3,296,416</u>	-
FUND BALANCES, JUNE 30, 2017	<u>\$ 4,283,134</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 827,634	\$ 3,113,970
-	396,322
-	585,067
35,273	81,454
422	712,058
3,780,720	22,579,141
-	85,901
<u>202,601</u>	<u>2,819,759</u>
<u>4,846,650</u>	<u>30,373,672</u>
-	17,673,110
-	334,442
-	451,461
-	875,149
-	1,563,704
-	832,921
-	2,103,515
-	962,111
-	8,497
-	750
11,773,764	11,773,764
-	226,116
2,705,136	2,705,136
<u>1,783,153</u>	<u>1,783,153</u>
<u>16,262,053</u>	<u>41,293,829</u>
<u>(11,415,403)</u>	<u>(10,920,157)</u>
2,348,341	2,939,684
<u>(2,839,813)</u>	<u>(2,939,684)</u>
<u>(491,472)</u>	<u>-</u>
(11,906,875)	(10,920,157)
<u>24,786,250</u>	<u>28,082,666</u>
<u>\$ 12,879,375</u>	<u>\$ 17,162,509</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Total Net Change In Fund Balances per fund financial statements	\$ (10,920,157)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays to purchase or build capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which the current year capital outlays exceeded the current year depreciation expense.

Depreciation	\$ (2,094,686)	
Capital outlays	<u>12,087,990</u>	9,993,304

The difference between the proceeds related to the sale of capital assets, and the net book value of those assets disposed of during the year, is shown as a gain (loss) on disposal of capital assets on the statement of activities, while this is not reported in the governmental funds, as the costs of these capital assets were reported as an expenditure at the time of acquisition.	(3,221)
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Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.	2,705,136
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Discounts (premiums) on bonds are reported in the governmental funds as other financing sources. However, for governmental activities, those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities.	(8,554)
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Compensated absences (sick leave) are measured by the amounts earned during the year in the statement of activities. In the governmental funds, expenditures for these amounts are measured by the amount of financial resources used (the amount paid). The difference in expenses reported in the statement of activities is a result of the change in accumulated sick leave.	115,259
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Payments on the insurance claims payable are recognized as expenditures of current financial resources in the governmental funds financial statement but are a reduction of the liability in the statement of net position.	23,961
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CERS payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are shown as deferred (inflows) and outflows on the statement of net position. The amount that the current year expense and the effect on the net position is as follows:

Deferred inflows – CERS	479,638	
Current year expense – CERS	<u>(1,697,858)</u>	<u>(1,218,220)</u>

Change In Net Position of Governmental Activities	<u>\$ 687,508</u>
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The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 318,817	\$ 350,793	\$ 669,610	
Materials and supplies inventory	27,676	-	27,676	
Accounts receivable:				
Accounts receivable	25,900	-	25,900	
Intergovernmental – federal	68,606	-	68,606	
Total current assets	<u>440,999</u>	<u>350,793</u>	<u>791,792</u>	
NONCURRENT ASSETS				
Capital assets, net	<u>54,239</u>	<u>-</u>	<u>54,239</u>	
DEFERRED OUTFLOWS OF RESOURCES	<u>88,207</u>	<u>-</u>	<u>88,207</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>583,445</u>	<u>350,793</u>	<u>934,238</u>	
	<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES				
Accounts payable	<u>22,645</u>	<u>7,269</u>	<u>29,914</u>	
NONCURRENT LIABILITIES				
Net pension liability – CERS	<u>909,217</u>	<u>-</u>	<u>909,217</u>	
DEFERRED INFLOWS OF RESOURCES	<u>171,045</u>	<u>-</u>	<u>171,045</u>	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,102,907</u>	<u>7,269</u>	<u>1,110,176</u>	
NET POSITION				
Net investment in capital assets	54,239	-	54,239	
Restricted (deficit)	(573,701)	343,524	(230,177)	
TOTAL NET POSITION	<u>\$ (519,462)</u>	<u>\$ 343,524</u>	<u>\$ (175,938)</u>	

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017

	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
OPERATING REVENUES			
Tuition and fees	\$ -	\$ 416,823	\$ 416,823
Sales	<u>282,514</u>	<u>-</u>	<u>282,514</u>
TOTAL OPERATING REVENUES	<u>282,514</u>	<u>416,823</u>	<u>699,337</u>
OPERATING EXPENSES			
Salaries	507,964	191,516	699,480
Employee benefits	361,621	40,892	402,513
On-behalf payments	360,873	90,230	451,103
Purchased services	32,395	15,563	47,958
Supplies and materials	833,294	98,262	931,556
Property	9,588	429	10,017
Depreciation	48,138	-	48,138
Debt service and miscellaneous	<u>3,123</u>	<u>11,335</u>	<u>14,458</u>
TOTAL OPERATING EXPENSES	<u>2,156,996</u>	<u>448,227</u>	<u>2,605,223</u>
OPERATING INCOME (LOSS)	<u>(1,874,482)</u>	<u>(31,404)</u>	<u>(1,905,886)</u>
NON-OPERATING REVENUES (EXPENSES)			
Operating grants – federal	1,203,714	-	1,203,714
Operating grants – state	373,792	107,518	481,310
Donated commodities	93,072	-	93,072
Interest income	<u>2,757</u>	<u>-</u>	<u>2,757</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,673,335</u>	<u>107,518</u>	<u>1,780,853</u>
CHANGES IN NET POSITION	(201,147)	76,114	(125,033)
NET POSITION (DEFICIT), JULY 1, 2016, as restated	<u>(318,315)</u>	<u>267,410</u>	<u>(50,905)</u>
NET POSITION (DEFICIT), JUNE 30, 2017	<u>\$ (519,462)</u>	<u>\$ 343,524</u>	<u>\$ (175,938)</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Food Service	Day Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tuition and fees	\$ -	\$ 416,823	\$ 416,823
Cash received from sales	264,406	-	264,406
Cash payments for salaries and employee benefits	(1,007,349)	(322,638)	(1,329,987)
Cash payments for purchased services	(32,395)	(15,563)	(47,958)
Cash payments for supplies, materials and miscellaneous	(769,059)	(108,594)	(877,653)
Net cash provided (used) by operating activities	<u>(1,544,397)</u>	<u>(29,972)</u>	<u>(1,574,369)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	2,757	-	2,757
Receipt of grants	1,577,506	107,518	1,685,024
Receipt of donated commodities	93,072	-	93,072
Net cash provided (used) by investing activities	<u>1,673,335</u>	<u>107,518</u>	<u>1,780,853</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,938	77,546	206,484
CASH AND CASH EQUIVALENTS, JULY 1, 2016	<u>189,879</u>	<u>273,247</u>	<u>463,126</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2017	<u>\$ 318,817</u>	<u>\$ 350,793</u>	<u>\$ 669,610</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$(1,874,482)	\$ (31,404)	\$(1,905,886)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation	48,138	-	48,138
Changes in assets and liabilities:			
Accounts receivable	(18,108)	-	(18,108)
Inventory	57,958	-	57,958
Deferred outflows of resources	(12,184)	-	(12,184)
Accounts payable	18,988	1,432	20,420
Deferred inflows of resources	75,259	-	75,259
Net pension liability	<u>160,034</u>	<u>-</u>	<u>160,034</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$(1,544,397)</u>	<u>\$ (29,972)</u>	<u>\$(1,574,369)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Donated commodities received from federal government			<u>\$ 93,072</u>
On-behalf payments from state government			<u>\$ 451,103</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2017

ASSETS

	School Activity Funds
CURRENT ASSETS	
Cash and cash equivalents	\$ 246,945
Accounts receivable	197
TOTAL ASSETS	<u>247,142</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	-
Due to students	<u>247,142</u>
TOTAL LIABILITIES	<u>247,142</u>
NET POSITION	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Corbin Independent School District are summarized as follows:

REPORTING ENTITY

The Corbin Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Corbin Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Corbin Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

CORBIN INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

The Corbin Independent Board of Education resolved to authorize the establishment of the Corbin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Corbin Independent Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- (B) The Day Care Fund is used to account for the day care operations of the District.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments. The District only invests in certificates of deposit.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

Payments made that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. All computer workstations and laptops, regardless of value, are capitalized. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as operating expenses (net) in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District, an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account restricted for sick leave payable in the general fund. The non-current portion of the liability is not reported in the governmental fund financial statements.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Corbin Independent School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance – Portion of fund balance that has been budgeted by the District.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.
- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and tuition and fees charged for the day-care operations.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All unencumbered budget appropriations lapse at year end.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2017, the carrying amount of the District's deposits (cash and cash equivalents) was \$19,763,717 and the bank balance was \$20,572,390. The bank balance at June 30, 2017 was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Whitaker Bank and Forcht Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$30,324,435.
- c. Largest cash, savings and time deposit combined account balance amounted to \$30,574,435 and occurred during the month of November, 2016.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2017 fiscal year was based, was \$412,361,351. The tax rates assessed for the year ended June 30, 2017 to finance general fund operations were \$.641 per \$100 valuation for real estate, \$.641 per \$100 valuation for tangible property and \$.693 for motor vehicles. The District committed \$.057 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2017 were ninety-seven percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

At June 30, 2017, the components of taxes receivable were as follows:

General property tax	\$ 8,869
Delinquent property tax	5,808
Motor vehicle tax	39,618
Utilities tax	40,489
	<u>\$ 94,784</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES

Changes in the District's deferred outflows (inflows) of resources during the fiscal year 2017 were as follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2017</u>
Discount on bonds, net	\$ 529,898	\$ -	\$ 27,381	\$ 502,517
Premium on bonds, net	(199,252)	18,827	-	(180,425)
CERS contributions subsequent to the measurement date	494,087	567,845	494,087	567,845
Deferred outflows of resources – CERS, net	(622,393)	622,393	1,101,383	(1,101,383)
	<u>\$ 202,340</u>	<u>\$ 1,209,065</u>	<u>\$ 1,622,851</u>	<u>\$ (211,446)</u>

The deferred outflows of resources for CERS is comprised of the following:

Difference between expected and actual results	\$ 25,776
Net difference between projected and actual earnings on investments	555,044
Changes of assumptions	312,767
Changes in proportion and differences between District contributions and proportionate share of contributions	207,796
	<u>\$ 1,101,383</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
GOVERNMENTAL ACTIVITIES				
Construction in progress	\$ 4,861,720	\$ 11,802,545	\$ 1,211,174	\$ 15,453,091
Land	3,420,318	1,052,437	-	4,472,755
Land improvements	1,841,113	812,994	-	2,654,107
Buildings and improvements	52,275,261	-	632,094	51,643,167
Technology equipment	3,681,670	11,994	15,983	3,677,681
Vehicles	2,504,131	100,658	-	2,604,789
General equipment	2,841,107	124,797	112,497	2,853,407
Totals at cost	<u>71,425,320</u>	<u>13,905,425</u>	<u>1,971,748</u>	<u>83,358,997</u>
Less accumulated depreciation:				
Land improvements	1,575,852	-	29,410	1,605,262
Buildings and improvements	13,147,274	25,833	1,058,002	14,179,443
Technology equipment	2,907,563	12,762	299,583	3,194,384
Vehicles	1,473,623	-	231,833	1,705,456
General equipment	1,386,891	-	363,361	1,750,252
Total accumulated depreciation	<u>20,491,203</u>	<u>38,595</u>	<u>1,982,189</u>	<u>22,434,797</u>
Governmental activities capital assets, net	<u>\$ 50,934,117</u>	<u>\$ 13,944,020</u>	<u>\$ 3,953,937</u>	<u>\$ 60,924,200</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 530,897	\$ -	\$ -	\$ 530,897
Vehicles	40,567	-	-	40,567
Technology equipment	49,287	-	1,580	47,707
Totals at cost	<u>620,751</u>	<u>-</u>	<u>1,580</u>	<u>619,171</u>
Less accumulated depreciation:				
Food service equipment	463,693	-	30,099	493,792
Vehicles	20,822	-	4,616	25,438
Technology equipment	33,859	1,580	13,423	45,702
Total accumulated depreciation	<u>518,374</u>	<u>1,580</u>	<u>48,138</u>	<u>564,932</u>
Business-type activities capital assets, net	<u>\$ 102,377</u>	<u>\$ 1,580</u>	<u>\$ 49,718</u>	<u>\$ 54,239</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,199,342
Support services:	
Student	5,221
Instructional staff	18,184
District administration	42,865
School administration	6,941
Business	7,327
Plant operations and maintenance	582,107
Student transportation	223,070
Community services activities	9,629
Total governmental activities	<u>\$ 2,094,686</u>

NOTE 7 – ACCUMULATED SICK LEAVE LIABILITY

Changes in the District's accumulated sick leave liability during the fiscal year 2017 were as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount Expected to be Paid Within One Year
Governmental activities:					
Accumulated sick leave	\$ 584,275	\$ -	\$ 115,259	\$ 469,016	\$ 95,000

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS

The District purchased property from the Sisters of Divine Providence in December 2013 to be used for the construction of a new middle school. The property was purchased with the execution of a promissory note to the Sisters of Divine Providence in the amount of \$1,000,000. The note is to be paid in five equal payments each December until retired. The note bears no interest and the Board chose not to impute interest due to immateriality.

The following is a summary of the District's note payable transactions for the year ended June 30, 2017:

	Debt Outstanding July 1, 2016	Additions of New Debt	Repayments	Debt Outstanding June 30, 2017	Amount Expected to be Paid Within One Year
Governmental activities:					
Note payable	\$ 400,000	\$ -	\$ 200,000	\$ 200,000	\$ 200,000

The minimum obligations of the District at June 30, 2017 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2017-18	\$ 200,000	\$ -	\$ 200,000

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS (CONTINUED)

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Corbin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property at any time by retiring the bonds then outstanding.

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
2011R	\$ 396,000	1.75%
2011	950,000	2.1% to 3.05%
QZAB 2011	5,000,000	4.35%
2012	2,600,000	1.0%
2014R	9,605,000	2.0% to 3.75%
QZAB 2014	1,395,000	1.0%
2015	1,626,000	1.0% to 4.0%
2016	28,350,000	2.0% to 3.25%
2016R	10,755,000	2.0% to 3.0%

The following is a summary of the District's bonded debt transactions for the year ended June 30, 2017:

	<u>Debt Outstanding July 1, 2016</u>	<u>Additions of New Debt</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2017</u>	<u>Amount Expected to be Paid Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 53,847,358	\$ -	\$ 2,197,358	\$ 51,650,000	\$ 2,332,000
Qualified zone academy bonds	<u>5,253,888</u>	<u>-</u>	<u>307,778</u>	<u>4,946,110</u>	<u>307,778</u>
	<u>\$ 59,101,246</u>	<u>\$ -</u>	<u>\$ 2,505,136</u>	<u>\$ 56,596,110</u>	<u>\$ 2,639,778</u>

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017 for debt service (principal and interest) are as follows:

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS (CONTINUED)

Year	Kentucky School Facility Construction Commission		Corbin Independent School District		Total
	Principal	Interest	Principal	Interest	
2017-18	\$ 1,093,434	\$ 652,393	\$ 1,238,566	\$ 796,880	\$ 3,781,273
2018-19	1,114,221	631,621	1,333,779	772,132	3,851,753
2019-20	1,135,690	610,201	1,363,310	745,509	3,854,710
2020-21	1,132,358	587,989	1,389,642	718,296	3,828,285
2021-22	1,132,119	565,289	1,416,881	690,115	3,804,404
2022-23	1,155,167	542,228	1,450,833	659,707	3,807,935
2023-24	1,180,177	517,944	1,477,823	627,486	3,803,430
2024-25	1,214,599	482,942	1,525,401	583,468	3,806,410
2025-26	1,250,127	446,918	1,631,873	536,994	3,865,912
2026-27	1,288,023	409,640	1,716,977	486,756	3,901,396
2027-28	1,253,773	371,062	1,858,227	414,040	3,897,102
2028-29	1,291,185	333,423	1,922,815	351,427	3,898,850
2029-30	1,310,069	294,553	1,996,931	282,299	3,883,852
2030-31	1,295,320	255,543	1,294,680	240,566	3,086,109
2031-32	1,337,130	216,317	1,333,870	201,574	3,088,891
2032-33	1,363,342	174,303	1,381,658	160,010	3,079,313
2033-34	1,318,089	132,145	1,185,911	120,550	2,756,695
2034-35	1,361,007	88,447	1,226,993	82,007	2,758,454
2035-36	1,381,677	43,805	1,296,323	42,130	2,763,935
	<u>\$ 23,607,507</u>	<u>\$ 7,356,763</u>	<u>\$ 28,042,493</u>	<u>\$ 8,511,946</u>	<u>\$ 67,518,709</u>

The District issued \$5,000,000 of Qualified Zone Academy Bonds, Series 2011 to fund additions and renovations at the Corbin High School. This bond issue will be funded through sinking fund payments and matures September 2029. This bond issue was issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the bonds.

The following represents the future minimum obligations of the District related to the QZAB issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2017 for debt service (principal and interest):

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – NOTE PAYABLE AND BONDED DEBT OBLIGATIONS (CONTINUED)

Year	Corbin Independent School District		Corbin Independent School District Sinking Fund	Kentucky School Facility Construction Commission Sinking Fund	(ARRA) Direct Pay Interest	2011 QZAB Principal	Total
	Principal	Interest	Fund	Sinking Fund	Interest	Principal	Total
2017-18	\$ 30,000	\$ 13,200	\$ 100,032	\$ 177,746	\$ 217,500	\$ -	\$ 538,478
2018-19	30,000	12,900	100,032	177,746	217,500	-	538,178
2019-20	30,000	12,600	100,032	177,746	217,500	-	537,878
2020-21	30,000	12,300	100,032	177,746	217,500	-	537,578
2021-22	30,000	12,000	100,032	177,746	217,500	-	537,278
2022-23	30,000	11,700	100,032	177,746	217,500	-	536,978
2023-24	30,000	11,400	100,032	177,746	217,500	-	536,678
2024-25	30,000	11,100	100,032	177,746	217,500	-	536,378
2025-26	30,000	10,800	40,526	177,746	217,500	-	476,572
2026-27	30,000	10,500	-	-	217,500	-	258,000
2027-28	30,000	10,200	-	-	217,500	-	257,700
2028-29	30,000	9,900	-	-	217,500	-	257,400
2029-30	30,000	9,600	-	-	108,750	1,170,614	1,318,964
2030-31	95,000	8,975	-	-	-	-	103,975
2031-32	95,000	8,025	-	-	-	-	103,025
2032-33	95,000	7,075	-	-	-	-	102,075
2033-34	330,000	4,950	-	-	-	-	334,950
2034-35	330,000	1,650	-	-	-	-	331,650
	<u>\$ 1,335,000</u>	<u>\$ 178,875</u>	<u>\$ 840,782</u>	<u>\$ 1,599,714</u>	<u>\$ 2,718,750</u>	<u>\$ 1,170,614</u>	<u>\$7,843,735</u>

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District obtained coverage through commercial insurance carriers. The District pays an annual premium for coverage.

The District was assessed a total of \$238,946 due to the Kentucky School Board Insurance Trust shortfall in fiscal year 2015. The assessment was divided into two components; workers compensation assessments totaling \$191,688, and property and liability assessments totaling \$47,258. The District chose to pay the entire amount of the property and liability assessment before August 31, 2014. For the workers compensation assessment, the District has several options of repayment of the liability but has chosen the zero interest option which will require them to pay 25% of the assessment by August 31, 2014 and the remainder over the next six years in equal installments. There were no changes in the assessment during the year ending June 30, 2017.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – PENSION PLANS

Plan Descriptions

The Corbin Independent School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. The TRS and CERS issue publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salary for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of credited service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – PENSION PLANS (CONTINUED)

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; and (e) three percent (3%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; and (d) two percent (2%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 16.105 percent of salaries for federally funded employees and 3.00 percent of salaries for non-federally funded employees. Contributions to the pension plan from the District were \$551,390.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. The related State share of the net pension liability was \$110,207,978.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was zero percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,813,374 and revenue of \$1,813,374 for support provided by the State. At June 30, 2017, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age
Amortization method	Level percent of pay, closed
Remaining amortization period	28.1 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment	
Rate of Return*	7.50%
Projected salary	
Increases**	3.50 – 7.30%
Cost-of-living adjustments	1.50% Annually

* Includes price inflation at 3.00%

** Includes wage inflation at 3.50%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a program of Scale AA to 2020 with a set back of 1 year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability (TPL).

The following table presents the net pension liability of TRS, calculated using the discount rate of 4.20%, as well as what TRS's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20%) or 1-percentage-point higher (5.20%) than the current rate:

	In Thousands		
	1% Decrease (3.20%)	Current Discount Rate (4.20%)	1% Increase (5.20%)
Systems' Net Pension Liability	<u>\$ 37,937,230</u>	<u>\$ 30,924,069</u>	<u>\$ 25,168,197</u>

June 30, 2015 is the actuarial valuation date upon which the TPL is based. The TPL as of June 30, 2015 was determined using a discount rate of 4.20%, which was based on a municipal bond index rate as of that date equal to 3.01%. An expected TPL is determined as of June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate for the year. The final TPL as of June 30, 2016 reflects that the assumed municipal bond index rate decrease from 3.82% to 3.01%, resulting in a change in the SEIR from 4.88% to 4.20%. The impact of this change in the discount rate is a change in assumptions that is added to the expected TPL to determine the final TPL as of June 30, 2016.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report available at <http://www.ktrs.ky.gov/>.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – PENSION PLANS (CONTINUED)

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2017, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 18.68 percent of annual creditable compensation. Contributions to the pension plan from the District were \$567,845.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$5,904,085 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.11991 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,441,329. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of \$567,845 and (2) Deferred inflows of resources for differences between expected and actual experience of \$1,101,383. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$567,845 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – PENSION PLANS (CONTINUED)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	<u>Allocation</u>
2018	\$ 229,849
2019	229,849
2020	105,435
	<u>\$ 565,133</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvements in mortality rates and that margin will be reviewed again with the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which cover a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in the future years.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Real Estate	5%	4.50%
Combined Fixed Income	19%	1.50%
Private Equity	10%	8.50%
Cash Equivalent	2%	(0.25%)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ <u>7,356,615</u>	\$ <u>5,904,085</u>	\$ <u>4,657,739</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans, to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 12 – DEFICIT OPERATING/FUND BALANCES

The District did not have any deficit fund balances at June 30, 2017.

The following funds had operations that resulted in current year operating deficits in governmental funds, resulting in corresponding reductions in fund balance, as follows:

	<u>Amount</u>
Seek Capital Outlay Fund	\$ 65,488
FSPK Fund	127,629
Construction Fund	11,713,754
Debt Service Fund	4

NOTE 13 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Building/FSPK	Debt Service	Debt service requirement	\$ 2,148,341
Operating	General	Special Revenue	Matching – Phase II Technology	56,371
Operating	Capital Outlay	General	Construction	233,915
Operating	Building/FSPK	Construction	Debt service requirement	100,000
Operating	Building/FSPK	General	Construction	257,557
Operating	Special Revenue	General	Debt service requirement	43,500
Operating	Capital Outlay	Construction	Construction	100,000

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2017, the District had a negative cash balance of \$246,072 in the Special Revenue Fund due to grant/project monies not being received by year-end. Since the District maintains an internal investment pool for cash, the General Fund is essentially lending this amount to the overdrawn fund. An interfund receivable of \$246,072 has been recognized in the General Fund and an interfund payable in the Special Revenue Fund at June 30, 2017.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 15 – ON-BEHALF PAYMENTS

As amounts are paid by various State agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with State revenue, and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications, and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2017 is as follows:

Teacher's Retirement System (TRS)	\$ 1,813,374
Health insurance	2,872,756
Life insurance	4,618
Administrative fee	36,698
Health reimbursement account – HRA/Dental/Vision	149,450
Federal reimbursements of health benefits	(258,609)
Technology	76,855
School Facilities Construction Commission (SFCC) debt service	1,937,347
	<u>\$ 6,632,489</u>

NOTE 16 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 95,000	Accumulated sick leave
Construction	12,878,656	Future construction
FSPK	719	Other

NOTE 17 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through September 12, 2017, the date on which we issued our financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
District and PSCA's proportion of the net pension liability	.11991%	.113222%	.111387%
District and PSCA's proportionate share of the net pension liability	\$ 5,904,085	\$ 4,867,988	\$ 3,614,000
District and PSCA's covered-employee payroll	\$ 3,025,999	\$ 2,896,397	\$ 2,667,016
District and PSCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	195.11%	168.07%	135.51%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%
TEACHER'S RETIREMENT SYSTEM:			
District's proportion of the net pension liability	0%	0%	0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 110,207,978	\$ 84,164,493	\$ 73,093,386
District's covered-employee payroll	\$ 12,724,226	\$ 12,411,560	\$ 11,610,462
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	14.80%	18.83%	22.32%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
Contractually required contribution	\$ 567,845	\$ 494,087	\$ 612,515
Contributions in relation to the contractually required contribution	<u>(567,845)</u>	<u>(494,087)</u>	<u>(612,515)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District and PSCA's covered-employee payroll	\$ 3,025,999	\$ 2,896,397	\$ 2,667,016
District and PSCA's contributions as a percentage of its covered-employee payroll	18.68%	17.06%	17.67%
TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,724,226	\$ 12,411,560	\$ 11,610,462
District's contributions as a percentage of its covered-employee payroll	0%	0%	0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

(1) CHANGES OF ASSUMPTIONS

TRS/CERS

The assumption changes are noted below.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

TRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28.1 years
Asset Valuation Method	5-year smoothed market
Projected Salary Increase	3.50-7.30%, including wage inflation of 3.50%
Investment Rate of Return	7.5%, including price inflation of 3.00%
Cost-of-living adjustments	1.50% annually

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on an annual basis beginning with the fiscal years ended 2018 determined as of July 1, 2016. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for TRS or CERS.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Favorable or (Unfavorable)
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,113,800	\$ 2,113,800	\$ 2,286,336	\$ 172,536
Motor vehicle	426,000	426,000	396,322	(29,678)
Utilities	600,000	600,000	585,067	(14,933)
Earnings on investments	2,500	2,500	46,044	43,544
Other local revenues	148,703	152,265	594,641	442,376
Intergovernmental – state	17,036,219	17,036,219	17,268,674	232,455
Intergovernmental – indirect federal	20,000	20,000	85,901	65,901
TOTAL REVENUES	<u>20,347,222</u>	<u>20,350,784</u>	<u>21,262,985</u>	<u>912,201</u>
EXPENDITURES				
Instruction	13,735,775	13,739,337	13,926,383	(187,046)
Support services:				
Student	308,915	308,915	304,442	4,473
Instructional staff	307,766	307,766	270,692	37,074
District administration	750,687	750,687	875,149	(124,462)
School administration	1,478,839	1,478,839	1,489,994	(11,155)
Business	858,597	858,597	832,921	25,676
Plant operations and maintenance	2,286,120	2,286,120	2,103,515	182,605
Student transportation	1,095,519	1,095,519	942,525	152,994
Other instructional	12,541	12,541	8,497	4,044
Debt service and miscellaneous	-	-	750	(750)
Contingency	<u>2,946,400</u>	<u>2,998,529</u>	<u>-</u>	<u>2,998,529</u>
TOTAL EXPENDITURES	<u>23,781,159</u>	<u>23,836,850</u>	<u>20,754,868</u>	<u>3,081,982</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,433,937)</u>	<u>(3,486,066)</u>	<u>508,117</u>	<u>3,994,183</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	321,482	364,982	534,972	169,990
Operating transfers out	<u>(65,000)</u>	<u>(56,371)</u>	<u>(56,371)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>256,482</u>	<u>308,611</u>	<u>478,601</u>	<u>169,990</u>
NET CHANGES IN FUND BALANCE	<u>(3,177,455)</u>	<u>(3,177,455)</u>	<u>986,718</u>	<u>4,164,173</u>
FUND BALANCE, JULY 1, 2016	<u>3,177,455</u>	<u>3,177,455</u>	<u>3,296,416</u>	<u>118,961</u>
FUND BALANCE, JUNE 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,283,134</u>	<u>\$ 4,283,134</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Favorable or (Unfavorable)</u>
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	137	137	-
Other local revenues	53,034	127,658	116,995	(10,663)
Intergovernmental – state	1,274,604	1,856,322	1,529,747	(326,575)
Intergovernmental – direct federal	2,148,563	2,529,354	2,617,158	87,804
TOTAL REVENUES	<u>3,476,201</u>	<u>4,513,471</u>	<u>4,264,037</u>	<u>(249,434)</u>
EXPENDITURES				
Instruction	3,005,428	3,984,533	3,746,727	237,806
Support services:				
Student	30,000	30,000	30,000	-
Instructional staff	190,761	196,797	180,769	16,028
District administration	-	-	-	-
School administration	73,710	73,710	73,710	-
Plant operations and maintenance	-	-	-	-
Student transportation	15,186	15,186	19,586	(4,400)
Community services activities	226,116	226,116	226,116	-
TOTAL EXPENDITURES	<u>3,541,201</u>	<u>4,526,342</u>	<u>4,276,908</u>	<u>249,434</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(65,000)</u>	<u>(12,871)</u>	<u>(12,871)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	65,000	56,371	56,371	-
Operating transfers out	-	(43,500)	(43,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>65,000</u>	<u>12,871</u>	<u>12,871</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE, JULY 1, 2016	-	-	-	-
FUND BALANCE, JUNE 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL
Year Ended June 30, 2017

The District's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles. In accordance with state law, the District prepares a school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. The District must adopt a working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ -	\$ 719	\$ 15,101,538	\$ -	\$ 15,102,257
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ 719</u>	<u>\$ 15,101,538</u>	<u>\$ -</u>	<u>\$ 15,102,257</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 1,185,762	\$ -	\$ 1,185,762
Construction retainage payable	-	-	1,037,120	-	1,037,120
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,222,882</u>	<u>-</u>	<u>2,222,882</u>
FUND BALANCES					
Restricted					
Future construction projects (BG-1)	-	-	12,878,656	-	12,878,656
Other	-	719	-	-	719
TOTAL FUND BALANCES	<u>-</u>	<u>719</u>	<u>12,878,656</u>	<u>-</u>	<u>12,879,375</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 719</u>	<u>\$ 15,101,538</u>	<u>\$ -</u>	<u>\$ 15,102,257</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes:					
Property	\$ -	\$ 827,634	\$ -	\$ -	\$ 827,634
Earnings on investments	-	-	35,273	-	35,273
Other local revenues	-	-	422	-	422
Intergovernmental – state	268,427	1,550,635	24,315	1,937,343	3,780,720
Intergovernmental – direct federal	-	-	-	202,601	202,601
TOTAL REVENUES	<u>268,427</u>	<u>2,378,269</u>	<u>60,010</u>	<u>2,139,944</u>	<u>4,846,650</u>
EXPENDITURES					
Building acquisitions and construction	-	-	11,773,764	-	11,773,764
Payment of bonds and note	-	-	200,000	2,505,136	2,705,136
Payment of interest	-	-	-	1,783,153	1,783,153
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>11,973,764</u>	<u>4,288,289</u>	<u>16,262,053</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>268,427</u>	<u>2,378,269</u>	<u>(11,913,754)</u>	<u>(2,148,345)</u>	<u>(11,415,403)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	200,000	2,148,341	2,348,341
Operating transfers out	(333,915)	(2,505,898)	-	-	(2,839,813)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(333,915)</u>	<u>(2,505,898)</u>	<u>200,000</u>	<u>2,148,341</u>	<u>(491,472)</u>
NET CHANGES IN FUND BALANCES	(65,488)	(127,629)	(11,713,754)	(4)	(11,906,875)
FUND BALANCES, JULY 1, 2016	<u>65,488</u>	<u>128,348</u>	<u>24,592,410</u>	<u>4</u>	<u>24,786,250</u>
FUND BALANCES, JUNE 30, 2017	<u>\$ -</u>	<u>\$ 719</u>	<u>\$ 12,878,656</u>	<u>\$ -</u>	<u>\$ 12,879,375</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
CORBIN HIGH SCHOOL
Year Ended June 30, 2017

ACCOUNTS:	Cash Balances July 1, 2016	Receipts	Disbursements	Interfund Transfers
General	\$ 55	\$ 2,913	\$ 1,998	\$ 664
First Priority	18	-	18	-
Academic Team	131	1,662	1,866	100
Yearbook	7,382	10,521	8,790	-
App Film	-	15	-	-
Art Club	1,065	670	563	90
Athletics	30,213	180,013	165,511	(4,934)
Academic Boosters	1,563	3,589	3,200	(1,600)
ATC	611	3,510	965	(65)
Band	239	62,150	62,389	-
Baseball	101	2,718	2,706	-
Beta Club	1,613	5,697	7,685	390
Bowling – Boys	877	2,782	1,461	(292)
Bowling – Girls	879	2,782	1,273	(293)
Boys Basketball	5,678	16,815	13,456	-
Cheerleaders	5,338	52,915	46,517	2,375
Choir	3,376	9,596	9,234	(20)
Cross Country	1,933	5,993	4,007	-
Dance Team	2,305	7,512	9,747	-
FMD	460	255	333	-
English Magic	-	75	75	-
Equipment Room	234	800	2,986	2,538
FACS	3,701	4,410	9,025	1,709
FBLA	200	5,600	7,429	1,629
Book Rental	-	17,955	5,258	(12,697)
FCCLA	1,326	2,112	1,186	(171)
Fishing Team	1,404	6,575	2,693	-
Football Camp	1,101	1,100	-	(2,201)
Football Officials	90	675	630	-
Girls Basketball	5,073	13,478	17,952	1,630
Guidance	120	360	195	(285)
LED Account	105	-	-	(105)
Library Department	312	356	138	(25)
Science Class	7	765	564	-
Lost/Damaged Books	14	-	-	(14)
Senior Science	2,185	80,751	81,647	-
Spanish Club	121	-	-	-
Student Council	203	570	231	10
Swim Team	658	2,200	1,723	100
CHS Photography Club	190	330	-	-
Dual Credit	100	33,303	32,273	-
Class of 2017	3,675	1,670	5,238	20
Class of 2018	-	9,350	3,749	(773)
Softball	6,337	21,524	18,925	-
Track – Boys	1,666	4,363	4,213	-

<u>Cash Balances</u> <u>June 30, 2017</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2017</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2017</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2017</u>
\$ 1,634	\$ -	\$ -	\$ 1,634
-	-	-	-
27	-	-	27
9,113	-	-	9,113
15	-	-	15
1,262	-	-	1,262
39,781	-	-	39,781
352	-	-	352
3,091	-	-	3,091
-	-	-	-
113	-	-	113
15	-	-	15
1,906	-	-	1,906
2,095	-	-	2,095
9,037	-	-	9,037
14,111	-	-	14,111
3,718	-	-	3,718
3,919	-	-	3,919
70	-	-	70
382	-	-	382
-	-	-	-
586	-	-	586
795	-	-	795
-	-	-	-
-	-	-	-
2,081	-	-	2,081
5,286	-	-	5,286
-	-	-	-
135	-	-	135
2,229	-	-	2,229
-	-	-	-
-	-	-	-
505	-	-	505
208	-	-	208
-	-	-	-
1,289	-	-	1,289
121	-	-	121
552	-	-	552
1,235	-	-	1,235
520	-	-	520
1,130	-	-	1,130
127	-	-	127
4,828	-	-	4,828
8,936	-	-	8,936
1,816	-	-	1,816

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS (CONTINUED)
CORBIN HIGH SCHOOL
Year Ended June 30, 2017

ACCOUNTS:	Cash Balances July 1, 2016	Receipts	Disbursements	Interfund Transfers
Track – Girls	1,719	4,403	4,213	-
Pep Club	356	-	-	-
JROTC	6,518	8,825	10,036	-
Key Club	18	98	98	-
Teacher's Lounge	441	2,266	2,430	(101)
Tennis – Boys	1,685	3,185	1,764	-
Tennis – Girls	1,255	3,316	2,474	-
Ky Junior Historical Society	151	1,030	1,110	-
Thespians Society	18,677	36,938	39,225	20
Boys Golf	1,675	7,348	7,183	-
Girls Golf	2,076	2,758	2,331	-
National Honor Society	-	2,650	1,329	(475)
Volleyball	296	12,937	8,814	750
CHS Book Fees	1,053	12,081	25,831	12,697
Odyssey of the Mind	2,716	13,046	15,325	-
Vegas Club	116	50	-	(166)
Parking Passes	100	2,220	2,050	(172)
Soccer – Boys	655	1,265	1,265	-
Soccer – Girls	1,350	1,440	1,690	-
Weight Room	337	-	-	(337)
Testing	179	850	1,359	330
Y – Club	-	23,565	23,300	-
YSC	560	200	726	166
Science Olympiad	280	2,783	2,943	-
STLP	456	36	-	(492)
Lunch Fees	-	865	865	-
Social Studies	-	240	240	-
Totals	<u>\$ 135,328</u>	<u>\$ 724,825</u>	<u>\$ 694,450</u>	<u>\$ -</u>

Cash Balances June 30, 2017	Accounts Receivable June 30, 2017	Accounts Payable June 30, 2017	Fund Balances June 30, 2017
1,909	-	-	1,909
356	-	-	356
5,307	-	-	5,307
18	-	-	18
176	-	-	176
3,106	-	-	3,106
2,097	-	-	2,097
71	-	-	71
16,410	-	-	16,410
1,840	-	-	1,840
2,503	-	-	2,503
846	-	-	846
5,169	-	-	5,169
-	-	-	-
437	-	-	437
-	-	-	-
98	-	-	98
655	-	-	655
1,100	-	-	1,100
-	-	-	-
-	-	-	-
265	-	-	265
200	-	-	200
120	-	-	120
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 165,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,703</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2017

	Cash Balances July 1, 2016	Receipts	Disbursements	Interfund Transfers
CORBIN MIDDLE SCHOOL				
All activity funds	\$ 43,645	\$ 181,860	\$ 173,798	\$ -
Charitable gaming fund	36	-	-	-
	<u>\$ 43,681</u>	<u>\$ 181,860</u>	<u>\$ 173,798</u>	<u>\$ -</u>
CORBIN ELEMENTARY SCHOOL				
All activity funds	\$ 11,396	\$ 24,986	\$ 26,286	\$ -
Charitable gaming fund	25	-	-	-
	<u>\$ 11,421</u>	<u>\$ 24,986</u>	<u>\$ 26,286</u>	<u>\$ -</u>
CORBIN PRIMARY SCHOOL				
All activity funds	\$ 9,520	\$ 64,859	\$ 67,402	\$ -
Charitable gaming fund	25	-	-	-
	<u>\$ 9,545</u>	<u>\$ 64,859</u>	<u>\$ 67,402</u>	<u>\$ -</u>
CORBIN EDUCATION CENTER				
All funds	<u>\$ 2,385</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>
CORBIN INTERMEDIATE SCHOOL				
All activity funds	\$ 12,689	\$ 35,687	\$ 38,413	\$ -
Charitable gaming fund	25	-	-	-
	<u>\$ 12,714</u>	<u>\$ 35,687</u>	<u>\$ 38,413</u>	<u>\$ -</u>

Cash Balances June 30, 2017	Accounts Receivable June 30, 2017	Accounts Payable June 30, 2017	Fund Balances June 30, 2017
\$ 51,707	\$ -	\$ -	\$ 51,707
36	-	-	36
<u>\$ 51,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,743</u>
\$ 10,096	\$ 18	\$ -	\$ 10,114
25	-	-	25
<u>\$ 10,121</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ 10,139</u>
\$ 6,977	\$ -	\$ -	\$ 6,977
25	-	-	25
<u>\$ 7,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,002</u>
<u>\$ 2,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,388</u>
\$ 9,963	\$ 179	\$ -	\$ 10,142
25	-	-	25
<u>\$ 9,988</u>	<u>\$ 179</u>	<u>\$ -</u>	<u>\$ 10,167</u>

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
SPECIAL EDUCATION CLUSTER (IDEA)			
Special Education – Grants to States (IDEA, Part B)	84.027	3810002	\$ 502,164
Special Education – Preschool Grants (IDEA, Preschool)	84.173	3800002	12,865
Total Special Education Cluster (IDEA)			<u>515,029</u>
TITLE I, PART A CLUSTER			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002	607,861
Title I Grants – Corbin Educational Center	84.010	313	<u>33,422</u>
Total Title I, Part A Cluster			<u>641,283</u>
Vocational Education – Basic Grants to States	84.048	3710002	24,555
Improving Teacher Quality State Grants	84.367	3230002	108,222*
Twenty-First Century Community Learning Centers	84.287	3400002	540,970
Fund for the Improvement of Education	84.215	Direct	410,035*
Rural Education	84.358	3140002	61,576
Impact Aid	84.041	Direct	335
Safe and Drug-Free Schools and Communities - National Programs	84.184	Direct	<u>233,501*</u>
Total U.S. Department of Education			<u>\$ 2,535,506</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	7760005	\$ 292,147
National School Lunch Program	10.555	7750002	758,651
Summer Food Service Program for Children	10.559	7690024	7,937
Summer Food Service Program for Children	10.559	7740023	<u>144,979</u>
Total Child Nutrition Cluster			<u>1,203,714</u>
EMERGENCY FOOD ASSISTANCE CLUSTER			
Emergency Food Assistance Program – non-cash	10.555	4005381	<u>93,072</u>
Total U.S. Department of Agriculture			<u>\$ 1,296,786</u>

* Denotes major program

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Defense</u>			
Junior Reserve Officers' Training Corps	12.000	Direct	\$ <u>63,442</u>
Total U.S. Department of Defense			\$ <u>63,442</u>
<u>U.S. Department of Health and Human Services</u>			
SAMMS Project Aware	93.243	Direct	\$ 14,210*
Assistance Programs for Chronic Disease Prevention and Control	93.945	0242050L	<u>4,000</u>
Total U.S. Department of Health and Human Services			\$ <u>18,210</u>
Total Expenditures of Federal Awards			\$ <u>3,913,944</u>

* Denotes major program

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corbin Independent School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Corbin Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Corbin Independent School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE E – INDIRECT COST RATE

The Corbin Independent School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified		
Internal control over financial reporting:				
Material weakness identified	_____	Yes	<u>✓</u>	No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u>	None reported
Noncompliance material to financial statement notes	_____	Yes	<u>✓</u>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified	_____	Yes	<u>✓</u>	No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u>	None reported
Type of auditor's report issued on compliance for major programs		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____	Yes	<u>✓</u>	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.367	Improving Teacher Quality State Grants
84.184	Safe and Drug-Free Schools and Communities - National Programs
93.243	SAMMS Project Aware
84.215	Fund for the Improvement of Education

Dollar threshold used to distinguish between Type A and Type B program		\$ 750,000		
Auditee qualified as low risk	<u>✓</u>	Yes	_____	No

Section II – Financial Statement Findings
None

Section III – Federal Award Findings
None

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2017

There were no prior year audit findings.

Marr, Miller & Myers, PSC

Certified Public Accountants
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P.O. Box 663
Corbin, Kentucky 40702

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 12, 2017

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Marr, Miller & Myers, PSC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II to the Independent Auditor's Contract – State Audit Requirements.

We noted certain matters that we reported to management of the District in a separate letter dated September 12, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marr, Miller & Myers, PSC

Certified Public Accountants

Marr, Miller & Myers, PSC

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Corbin, Kentucky 40702

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

September 12, 2017

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Corbin Independent School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Marr, Miller & Myers, PSC

Opinion on Each Major Federal Program

In our opinion, the District, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marr, Miller & Myers, PSC

Certified Public Accountants

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(606) 528-2454 (FAX 528-1770)

P.O. Box 663
Corbin, Kentucky 40702

September 12, 2017

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

In planning and performing our audit of the financial statements of the Corbin Independent School District for the year ended June 30, 2017, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some items that go beyond internal control related matters that are being communicated for the benefit of management to improve operational and administrative efficiencies. Our comments and recommendations, as well as the action to be taken by the District, accompanies this letter. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations. This letter does not affect our report dated September 12, 2017 on the financial statements of the Corbin Independent School District.

Marr, Miller & Myers, PSC

Certified Public Accountants

CORBIN INDEPENDENT SCHOOL DISTRICT
Corbin, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2017

1. ACTIVITY FUNDS

CORBIN HIGH SCHOOL

- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services. We noted four instances in our testing of purchase orders being dated after the invoice date. This is a repeat finding.

CORBIN MIDDLE SCHOOL

- All monies collected by a teacher or sponsor should be given to the school treasurer on the day collected. We noted three instances in our testing where monies were being held by a teacher or sponsor for various events or donations received. This is a repeat finding.

CORBIN PRIMARY SCHOOL

- All monies collected by a teacher or sponsor should be given to the school treasurer on the day collected. We noted two instances in our testing where monies were being held by a teacher or sponsor for various events or donations received.

CORBIN INTERMEDIATE SCHOOL

- All monies collected by a teacher or sponsor should be given to the school treasurer on the day collected. We noted eight instances in our testing where monies were being held by a teacher or sponsor for various events or donations received.
- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. We noted five instances in our testing of incomplete/inaccurate forms.

CORBIN ELEMENTARY SCHOOL

- All monies collected by a teacher or sponsor should be given to the school treasurer on the day collected. We noted nine instances in our testing where monies were being held by a teacher or sponsor for various events or donations received.
- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. We noted two instances in our testing of incomplete/inaccurate forms.
- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services. We noted four instances in our testing of purchase orders being dated after the invoice date.

MANAGEMENT'S RESPONSE

- During our professional development conference, Redbook training was held for all Corbin Independent staff, including teachers, coaches, sponsors and boosters. A separate Redbook training was also held for Principals and administrators. Everyone was instructed on the proper handling of school activity funds and will be diligent in the upcoming year to adhere to Redbook guidelines and resolve all current year findings. Individual items identified above have been discussed with principals by the Superintendent and Finance Officer to ensure a proactive and timely resolution. In addition, the Superintendent will address the issues attributable to teachers at Principals' meetings on a regular basis.